

Annual Results Presentation

25 August 2020

XPLORE
WEALTH

A WORLD OF INVESTMENTS
Delivering client confidence

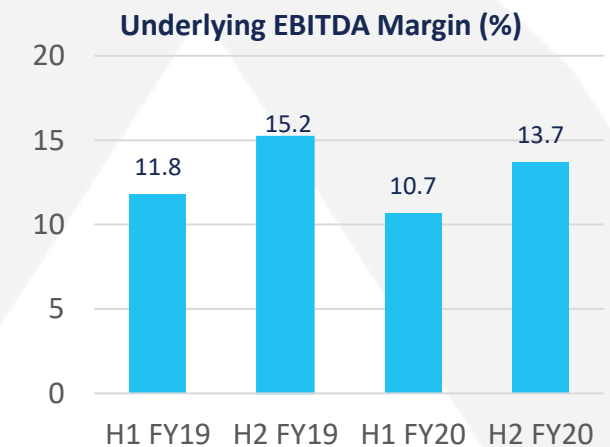
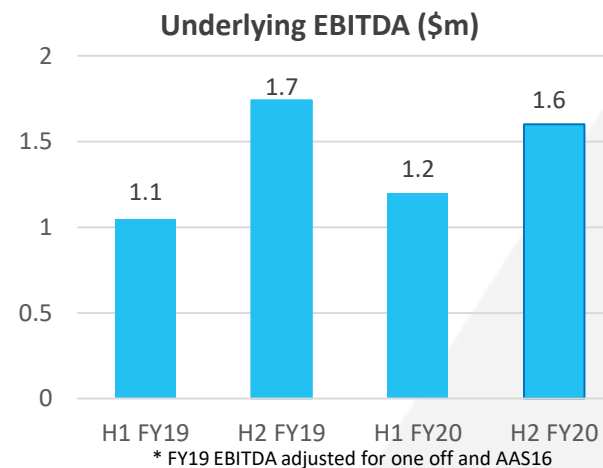
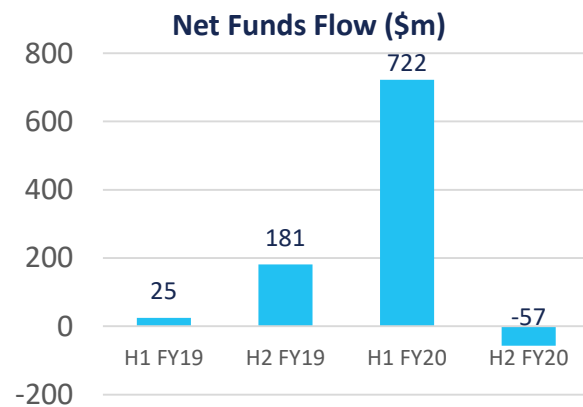
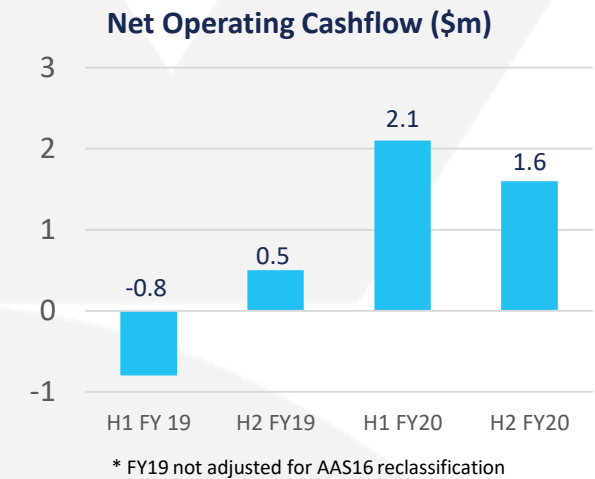
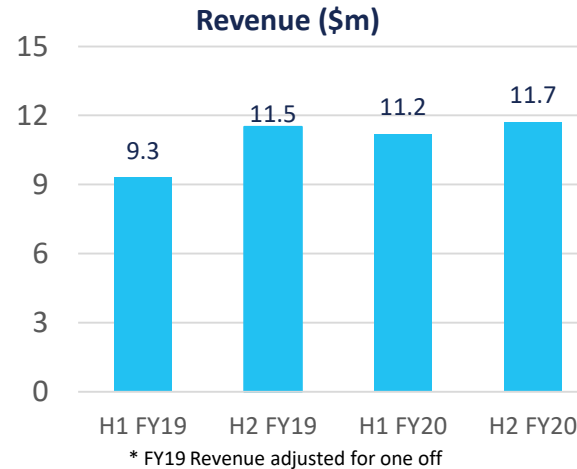
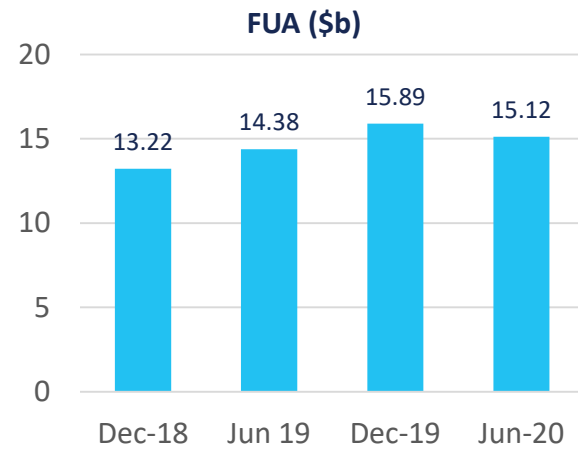
Key messages from the CEO

- ✓ Commenced 3 year transformation strategy - **INTEGRATE, GROW, OUTPERFORM**
- ✓ Good progress upgrading our business - One Platform cost savings realised with more to come
- ✓ Successfully maintaining full business operations, safely through COVID-19 disruptions
- ✓ FY20 growth compared to FY19 –10.5% revenue, flat EBITDA, 140% cash and 5.1% FUA
- ✓ Clear, phased growth strategy to increase retail Managed Account inflows



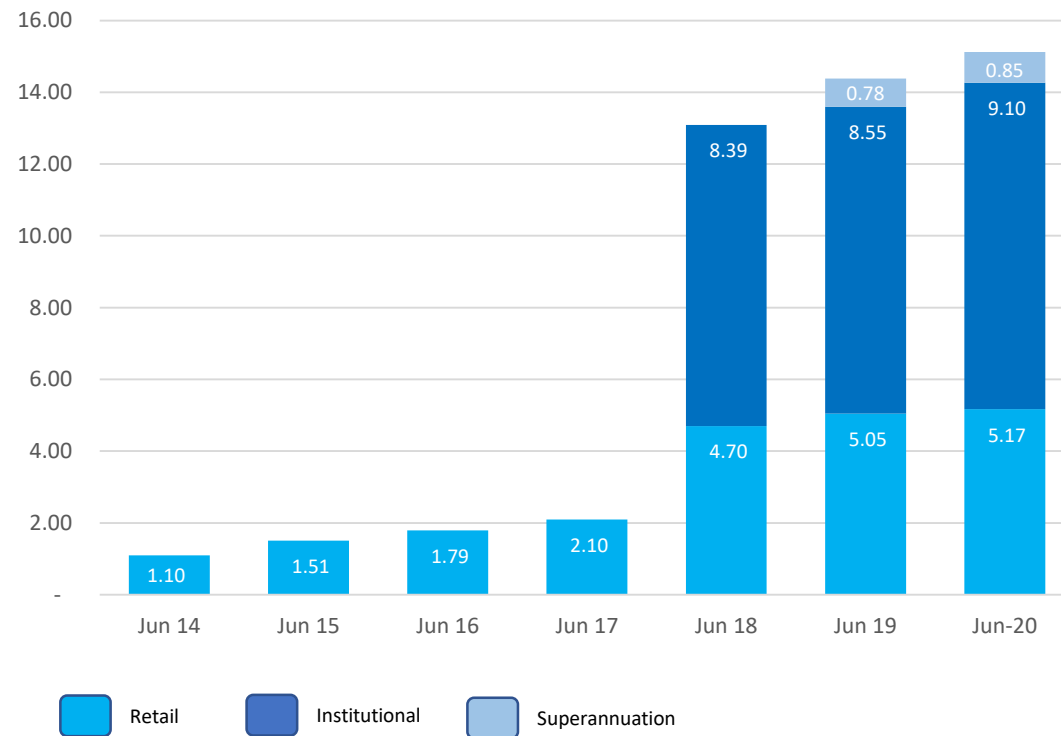
Mike Wright
CEO Xplore Wealth

Results summary

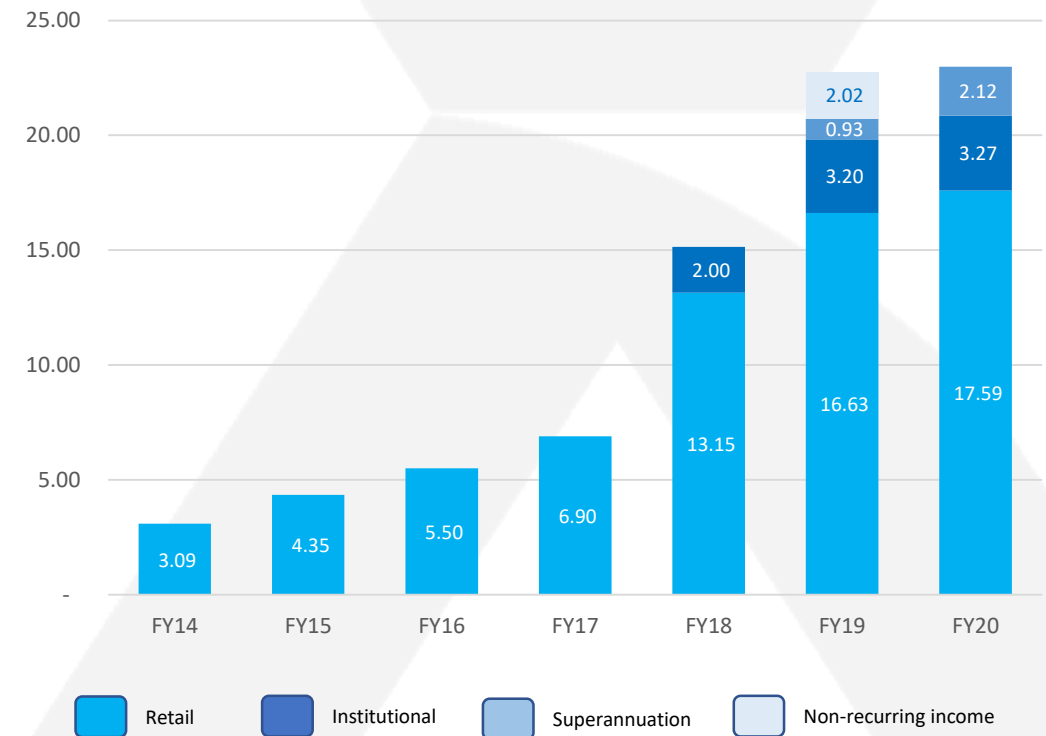


Continuous growth

Growth in FUA (\$ Billion)



Growth in Revenue (\$ Million)



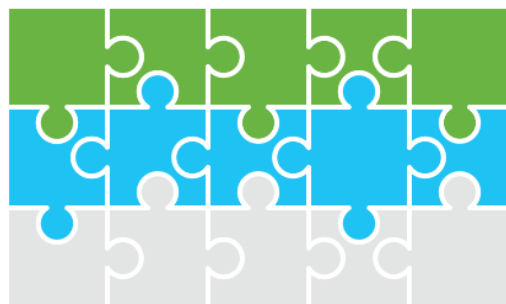
Our 3 Year Plan

Strategic plan to be executed over 3 phases



FY20 Execution Report

We have prioritised, we are executing and we are getting things done



One Platform Program

To create business efficiencies and savings.

- Integrate to one back & front end
- Program defined, launched Q1CY20
- Program funded with PMO
- Key streams delivered eg one custodian
- First \$1m pa cost saves settled - realised in FY21



Upgrading the business

To create a winning business foundation.

- Finalised our three-year strategic plan
- All staff attended cultural workshops
- Corporate values and behaviours refreshed
- Senior Leadership Team completed with appointment of Head of Product



Take to Market Plan

Sustainably growing our business.

- New BDM hired in Victoria from HUB24
- Inaugural Xplore Super clients onboarding
- Ability for MDA clients to invest in Intl Mkts
- New Wholesale offer for MDA clients
- New competitive pricing – ensures clients earned interest on cash

New Business in FY20

New clients and new share won from existing clients



cashel family office



elevate.super

—PIVOT—
WEALTH MANAGEMENT



FairVine Super.

THE **oWealth**
PARTNERSHIP

FY20 Detailed Financials

FY20 Financial Results

| | FY 2020 \$'m | FY 2019 \$'m | CHANGE |
|--------------------------------------------|-----------------|-----------------|--------|
| Service fee Revenue | \$23.0 | \$20.8 | 10.5% |
| Direct costs | (\$5.7) | (\$4.8) | 18.7% |
| Gross Profit | \$17.3 | \$16.0 | 8.1% |
| Gross Profit Margin | 75.2% | 76.9% | |
| Other Income | \$0.3 | \$0.6 | |
| Operating expenses | (\$15.2) | (\$13.8) | 10.1% |
| Underlying EBITDA | \$2.8 | \$2.8 | - |
| EBITDA Margin % | 12.2% | 13.4% | |
| One off items of expenditure | (\$1.8) | (\$1.7) | |
| Non-recurring revenue | - | \$2.0 | |
| Depreciation & amortisation ⁽¹⁾ | (\$2.4) | (\$5.0) | |
| Employee share scheme | (\$0.3) | - | |
| Write off of Linear Software | (\$10.8) | - | |
| NPBT | (\$12.5) | (\$1.8) | |
| Tax | \$0.8 | \$1.3 | |
| NPAT | (\$11.7) | (\$0.5) | |

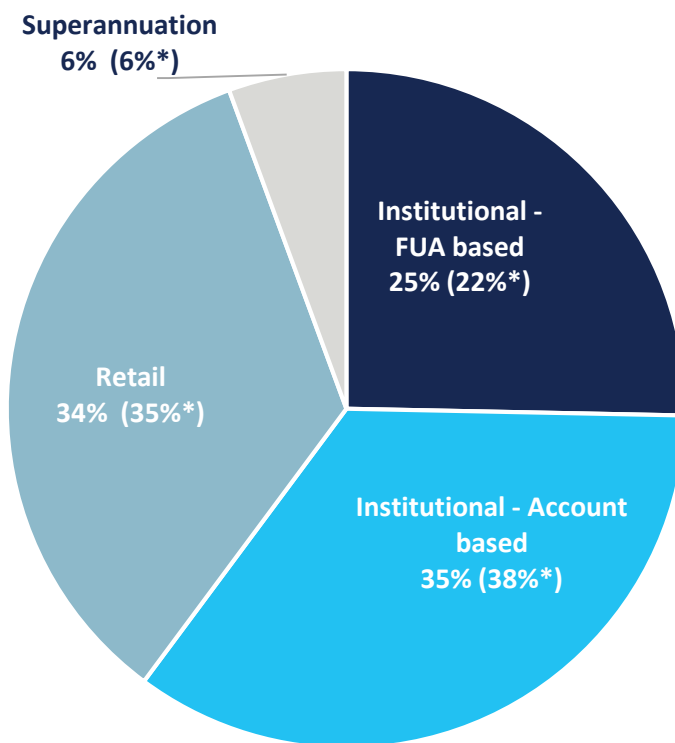
¹ AASB16 Accounting for Leases effective 1 July 2019. High level impact for FY20 is \$0.5m uplift in EBITDA and a corresponding increase in Depreciation and Amortisation and Net Interest charges. No net impact to Net Profit Before Tax.

- FY19 revenue and Gross Profit have been adjusted to reflect non-recurring revenue of \$2m pertaining to ATO claim relating to prior periods
- Strong uplift in normalised revenue driven by combination of FUA growth, new revenue streams and contribution from DIY Master and Aracon Superannuation
- Direct Costs and Operating expenses up due to acquisitions in December 2018
- One off items include provision for R&D claim and write off of intangible assets
- AASB16 implemented for FY20 and FY19 results adjusted to reflect prior period implementation

FY20 FUA and Revenue Composition

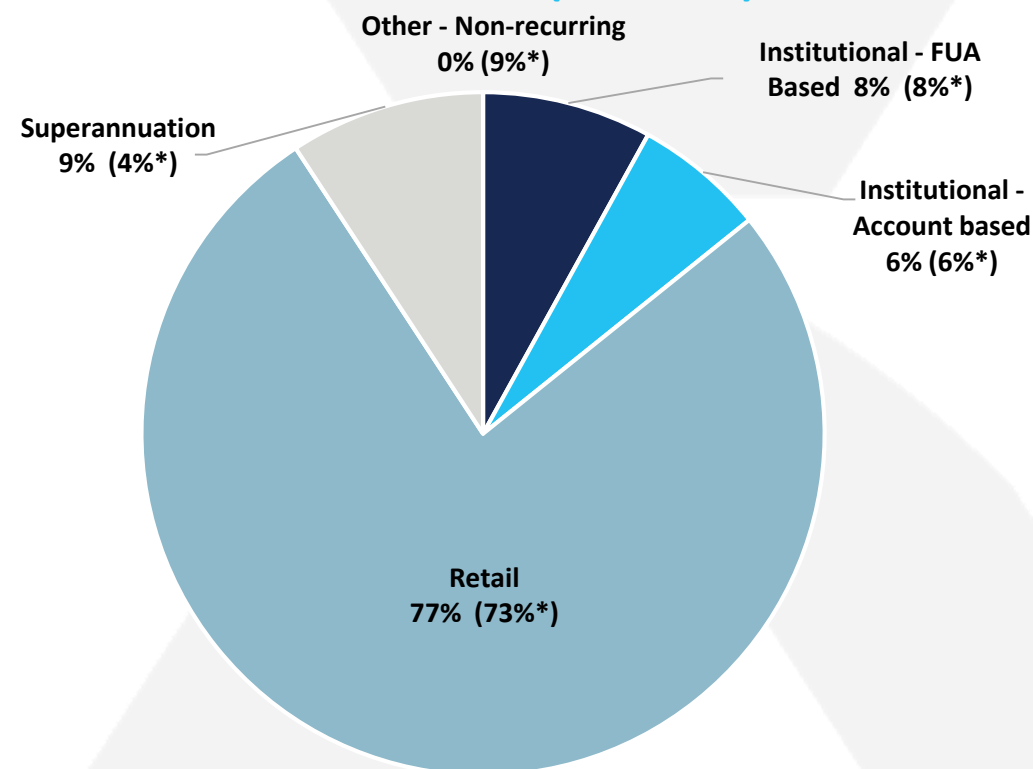
A diversified FUA and revenue base with majority of revenues flowing from higher margin retail book

FUA – 30 June 2020 (\$15.12b)



*Comparative FUA splits as at 30 June 2019

Revenue - FY20 (\$22.98m)

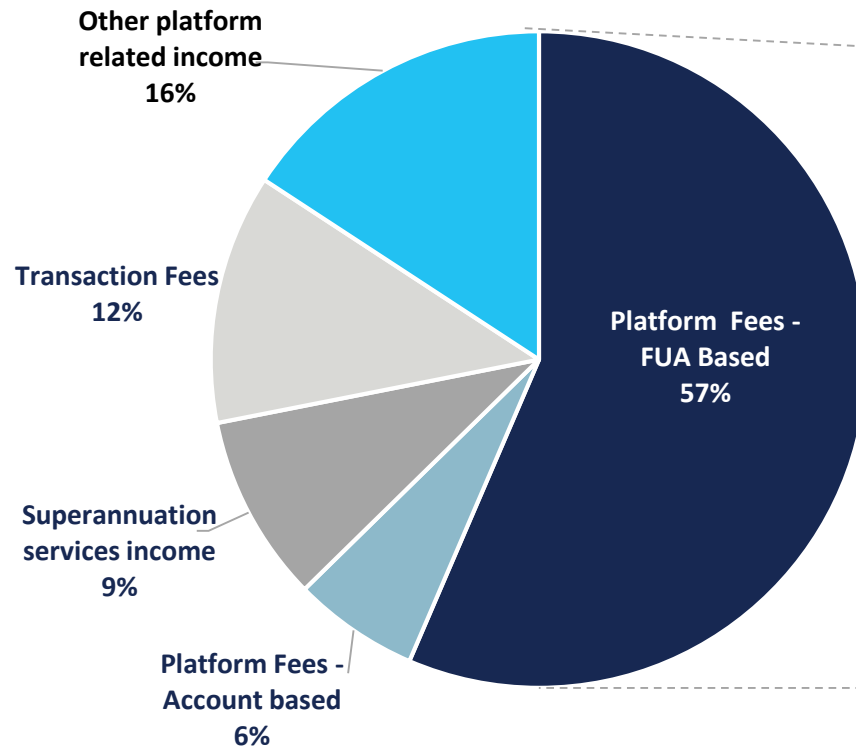


*Comparative Revenue splits as at FY19

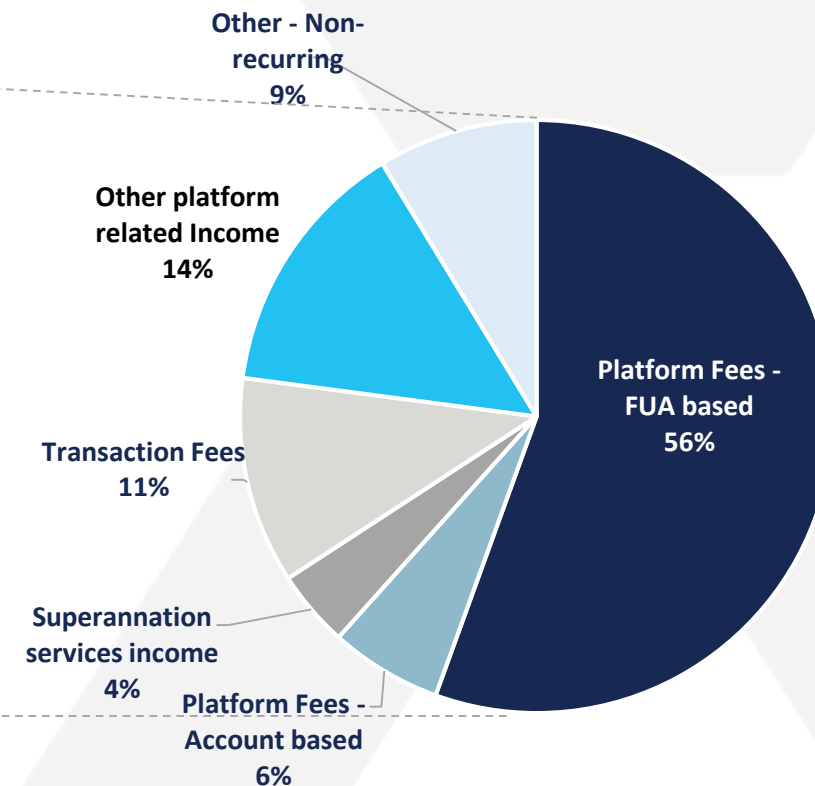
FY20 Revenue Composition

Diversified revenue base by fee type

Revenue – FY20 (\$22.98m)



Revenue – FY19 (\$22.77m)



Costs Breakdown

| | FY20 \$'m | FY19 \$'m | Movement |
|-----------------------------------------------|--------------|--------------|-------------|
| Operating Expenses | | | |
| Employment related costs - core | 10.0 | 9.8 | |
| Employment related costs – FY19 acquisitions | 1.7 | 0.7 | |
| Computer and IT expenses | 1.7 | 1.5 | |
| Professional fees and Consulting | 1.3 | 1.0 | |
| Other expenses | 0.5 | 0.8 | |
| Total Operating Expenses | 15.2 | 13.8 | 10% |
| Depreciation & amortisation | | | |
| Depreciation & Amortisation | 1.0 | 4.5 | |
| Depreciation attributed to lease arrangements | 0.3 | 0.5 | |
| | 2.4 | 5.0 | -52% |
| One-off expenses | | | |
| Employment related | 0.6 | 0.4 | |
| Acquisition related | - | 0.7 | |
| Project related | 0.4 | - | |
| Research & Development related | 0.5 | - | |
| Other | 0.3 | 0.6 | |
| | 1.8 | 1.7 | 6% |

- Whilst operating expenses have increased pcp, majority of increase is attributable to the additional operating costs associated with the Aracon and DIY Master acquisitions in December 2018
- With the write off of the Linear software in H1 FY20, ongoing amortisation costs are expected to reduce
- The business has provided for 50% of the disputed R&D claim given the ongoing appeal

Cash Flows

Positive operating cashflows for the business

| | FY20 \$'m | FY19 \$'m |
|-------------------------------------|--------------|--------------|
| Receipts from customers | 26.1 | 21.6 |
| Payments to suppliers and employees | -22.6 | -21.6 |
| Acquisition related expenses | - | -0.4 |
| Net interest and other income | 0.1 | 0.1 |
| Operating cash flows | 3.6 | -0.3 |
| Net business purchase cost | -0.8 | -0.9 |
| Purchase of term deposits | - | -0.3 |
| Payments for plant & equipment | -0.1 | -0.1 |
| Payment for intangibles | -1.1 | -1.3 |
| Investing cash flows | -2.0 | -2.6 |
| Proceeds from issues of shares | 0.1 | - |
| Share buy-back | - | -1.1 |
| Repayment of lease liabilities | -0.5 | - |
| Financing cash flows | -0.4 | -1.1 |
| Net cash flow | 1.3 | -4.0 |

- Positive operating cash flows for the year assisted by finalisation of ATO claim for Linear scheme
- Ongoing investment into the One Platform program
- AASB16 introduced in FY20 revising treatment of property lease payments

Balance Sheet

| | 30 Jun 20 \$m | 30 Jun 19 \$m |
|-------------------------------|------------------|------------------|
| Cash and cash equivalents | 2.3 | 0.9 |
| Other financial assets | 2.0 | 1.5 |
| Trade and other receivables | 3.3 | 7.1 |
| Non-current Assets | | |
| Property, Plant and Equipment | 0.3 | 0.3 |
| Intangible assets | 27.9 | 39.0 |
| Right of use asset | 1.1 | - |
| Deferred tax assets | 6.0 | 5.4 |
| Total assets | 42.8 | 54.2 |
| Liabilities | | |
| Trade and other payables | 3.0 | 3.4 |
| Employee benefits | 1.2 | 0.9 |
| Deferred tax liabilities | 0.5 | 0.8 |
| Lease liabilities | 1.2 | - |
| Other liabilities | 0.3 | 1.1 |
| Net Assets | 36.6 | 48.1 |
| Paid up capital | 56.7 | 56.7 |
| Share option reserve | 0.4 | 0.5 |
| Accumulated losses | -20.5 | -9.1 |
| Total equity | 36.6 | 48.1 |

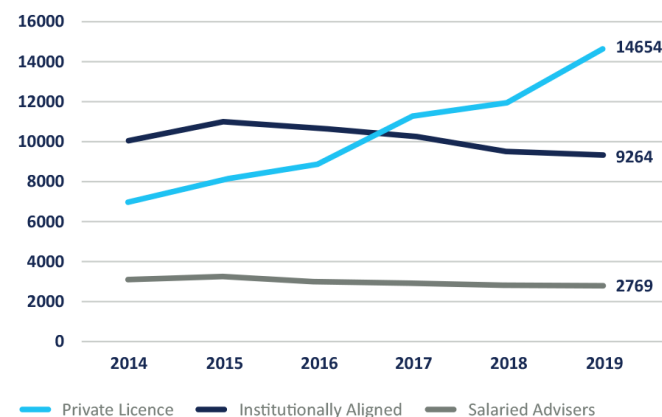
- Debt free balance sheet
- Improved cash position given positive cashflow from operations
- Reduction in intangible assets attributed to write off of Linear software
- Introduction of AASB16 introduced for FY20 impacting treatment of property leases

Multiple revenue growth levers

Size of Xplore's revenue = no. Advisers x avg no. Clients x avg Cost to clients

Number of IFAs predicted to keep growing

Growth in Privately Held Adviser Licenses

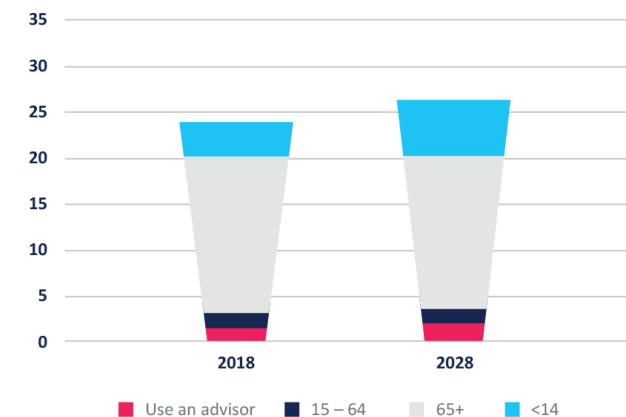


Source: ASIC Adviser Register

- Advisers on ASIC F.A.R we expect to fall 15-20% by 2026 due to:
 - Grandfathered commissions removed
 - FASEA education standards drivers
- IFAs will likely continue to grow

Those seeking advice expected to keep growing

Adviser Market

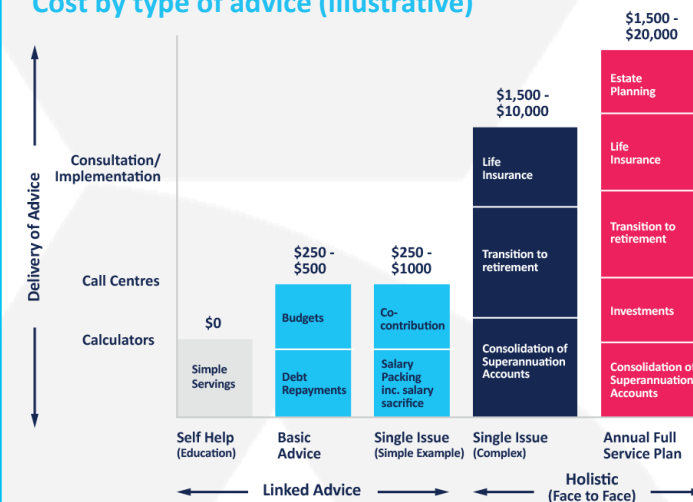


Source: ABS 2018

- Advised Australians predicted to double by 2028 to 4m, due to:
 - Ageing demographic
- Expect more retirement advice due to unique risks

Cost of Advice likely to increase

Cost by type of advice (illustrative)



Source: ASIC, Financial Planning Association, Rice Warner

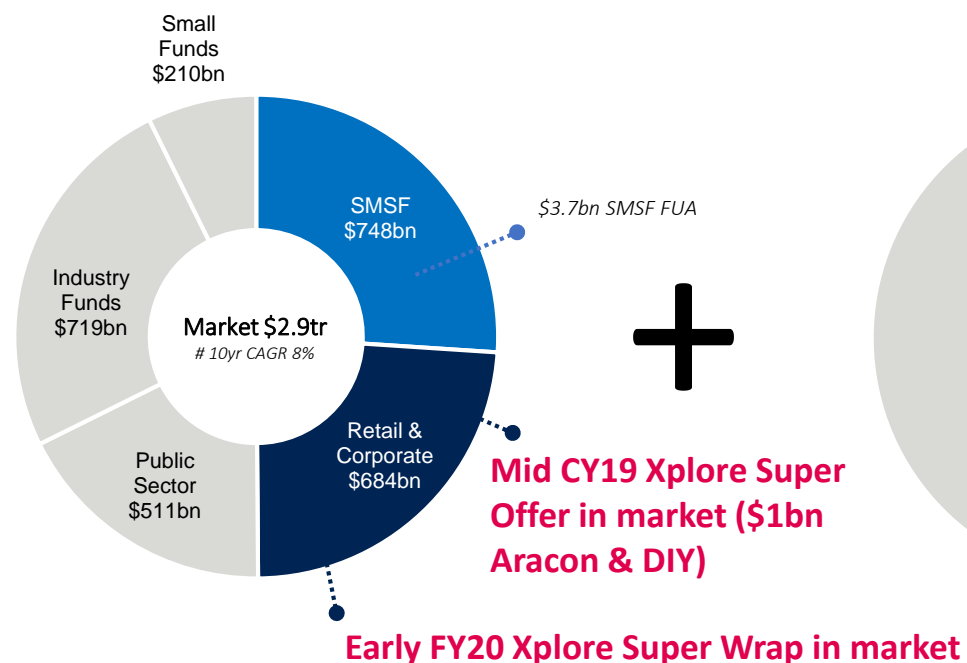
- The cost of holistic advice likely to be repriced due to:
 - Product subsidisation ceasing,
 - Compliance and regulatory costs rising
- Reduce client impact via improvements and technology

Expanding our market opportunity

Xplore Wealth has grown its Total Available Market by over 50%

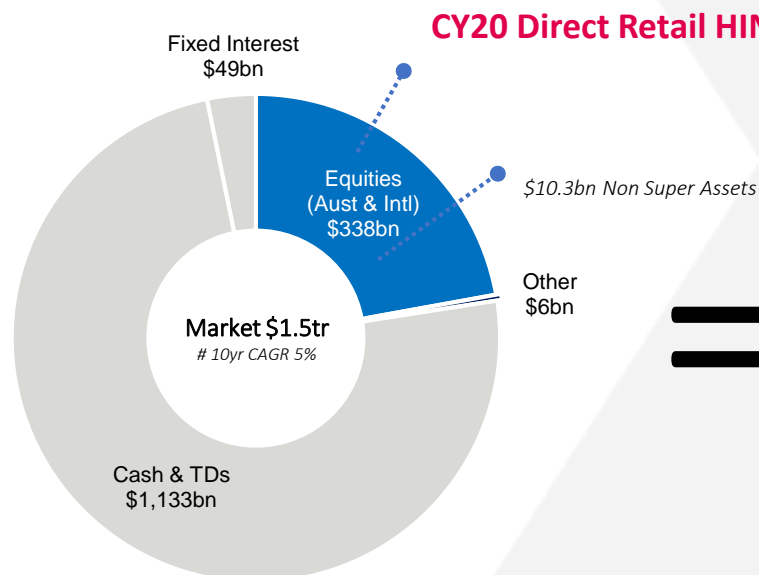
Super

Australia has the 4th largest pension market globally ^



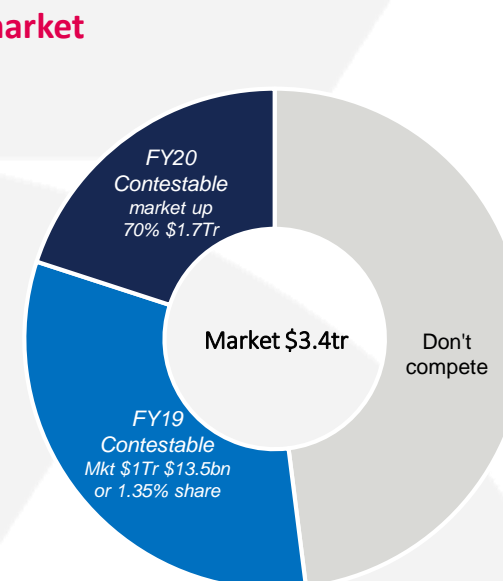
Non Super

Non property personal investment market



Total Available Market (TAM)

52% of TAM



■ FY19 Contestable market ■ FY20 Contestable market ■ Don't compete

10yr CAGR Evans & Partners estimates within Strategic Insights ^ Source Deloitte – Dynamics of Australia's superannuation system, the next 20 years 2015 to 2035

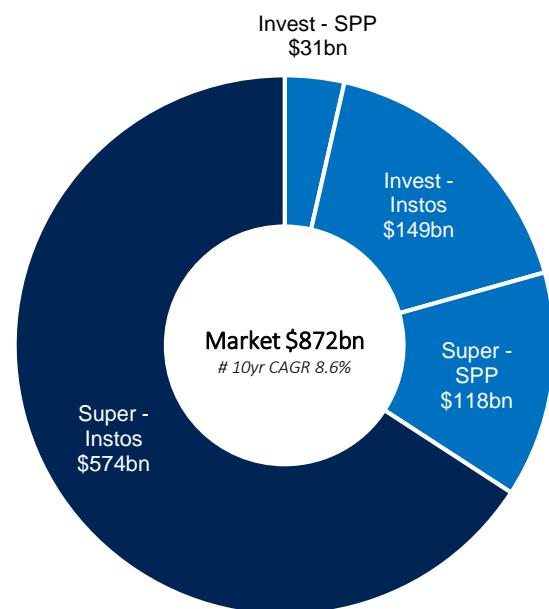
Expanding our key markets

Xplore Wealth has significant market share growth opportunities in key markets

Retail Platform Market

Retail and Specialist Platform Providers (SPP)

Xplore Wealth has 1.5% market share



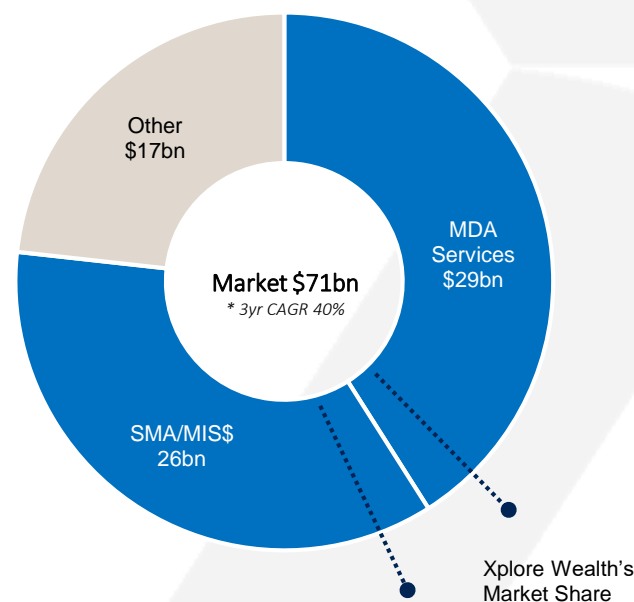
■ FY19 Contestable market ■ FY20 Contestable market ■ Don't compete

10yr CAGR Evans & Partners estimates within Strategic Insights * IMAP market sizing 2018

Managed Account Market

IMAP market sizing 2018

Xplore Wealth has 7.5% market share



Xplore Wealth's Market Share

FY21 Priorities

Strategically finalise the INTEGRATION phase and move fully into the GROW phase

- Complete the integration onto one transactional backend, one client portal
- Deliver the remaining One Platform initiatives after migrating all clients
- Deliver new product enhancements including retail Direct HIN offering and FX capability
- Expand superannuation services proposition leveraging Xplore's RSE license
- Expand Sales and Marketing teams with a focus on growing net Managed Account inflows and FUA
- Continue to reduce operating costs from the business and improve underlying EBITDA margins
- Safely navigate the ongoing pandemic, protecting our staff, whilst maintaining our customer proposition

Appendix

Xplore Wealth at a glance

Our Purpose > Enabling our clients to confidently manage, protect and grow their clients' wealth

Where we compete

Core Markets

- Retail Platform (\$872bn)
- Superannuation (\$2.9tr)
- Managed Accounts (\$71bn)

Products

- MDA
- Wrap, including SMAs
- Direct HIN
- Super Services – RSE/Admin

Client Segments

- IFAs
- Full Service Stock Brokers
- Licensed Advised business

Client Channels – Advised only

Growth strategies



1. Leverage our niche, agility and size to excel in tailored offers such as MDA, tailored investment management, white labelling and insights



2. Leverage our aligned Platform, fully integrated, with three distinct offers, fully paperless and systemised



3. Build a low cost operating model within the Specialist Platform Providers, that is highly scalable to ensure competitive pricing



4. Take to market new product and service offerings to continually disrupt and attack the large insto Retail Platforms



5. Upgrade our values based culture, driving the right behaviours and decision making process to support our clients

Fast facts

- 15+ years specialising in the Managed Account market with ~\$15bn FUA
- An aligned platform with three distinctive client offers
- An RSE licence holder, one of only 110 in the market
- An advised only platform
- Independent - do not manufacture funds or own an Advice AFSL

1. Leverage our niche, agility and scale

Specialised expertise in tailored offers and insights to support our clients grow their business, their way

| MDA Offer | Wrap Offer | HIN Offer | Super Offer | Insto Offer |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Flexible legal structures Manage model portfolios Deep investment choices Wholesale MDA offer Trade international assets 3rd party MDA administration Broker of choice Flexible modelling tool 100% White labelled (~40 clients) | <ul style="list-style-type: none"> Manage model portfolios Trade international assets Flexibility to deduct super advice fee from Wrap Broker of choice Flexible modelling tool 100% White labelled (~30 clients) | <ul style="list-style-type: none"> No custody Tailored administration Tailored tax reporting ASX non broker participant (settlement) available Corporate action handling flexibility 100% White labelled | <ul style="list-style-type: none"> Tailored sub-plan / division Supports emerging superannuation funds Manage own model portfolios 100% White labelled (~6 clients) | <ul style="list-style-type: none"> Fully tailored, be-spoked Joint build Dedicated resources Integrate to trading & client portals 100% white labelled (2 clients) |

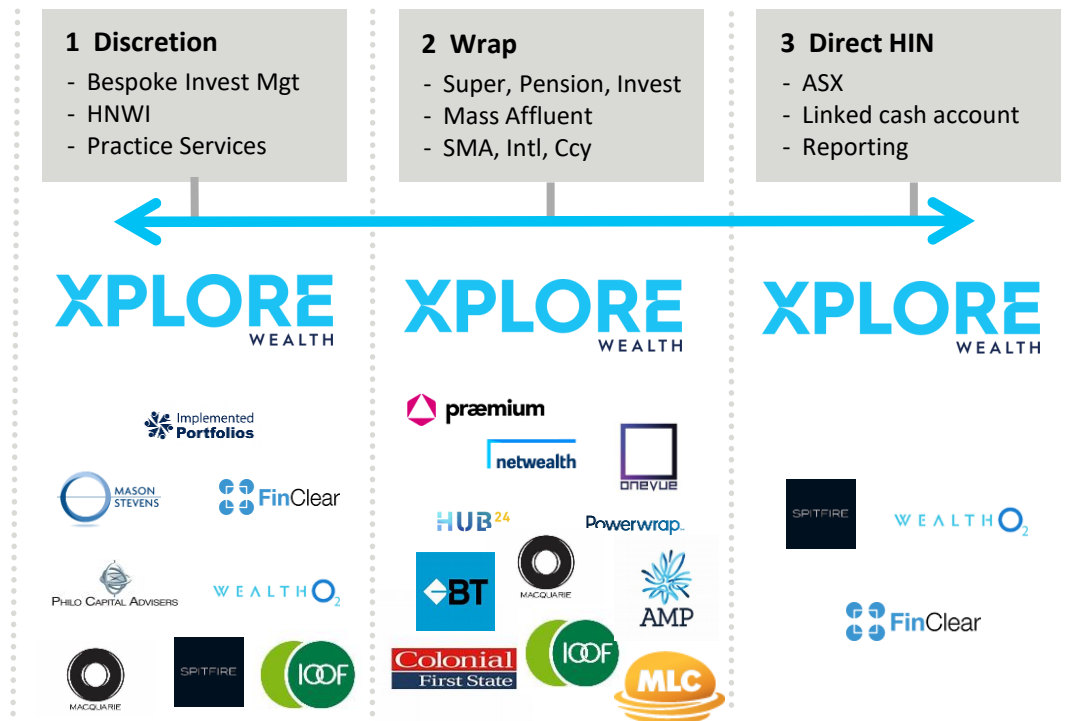
Business model provides shared services for investment management, product, risk, legal, etc

2. Leverage our aligned Platform

A platform empowering advisers with choice to support their Best Interest Duty obligations

1 An aligned platform with three offers to choose from

2 Plus choose suitable features

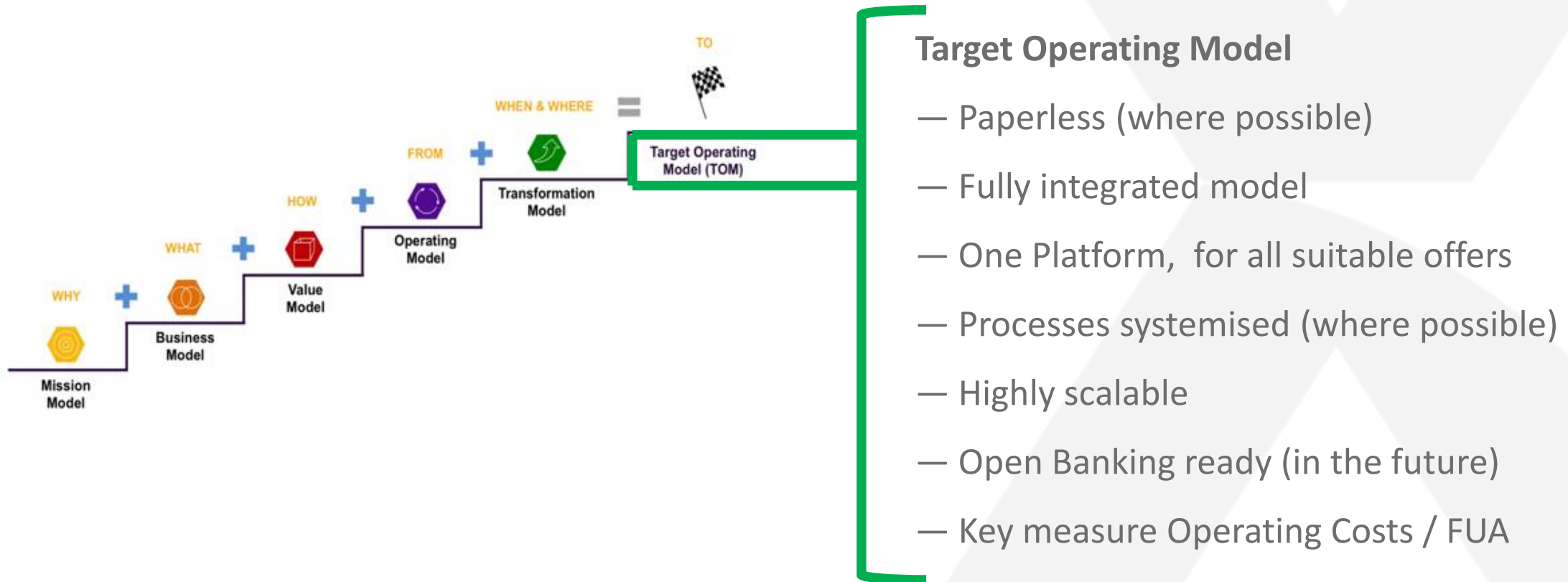


| Platform Offers | W/sale offer | White labelled | Investment Managed MA | Investors | Direct Intl Mkts | FX |
|---------------------|--------------|----------------|-----------------------|-----------------------------------|------------------|-----|
| Discretion (MDA) | Yes | Yes | Yes (MDA & models) | SMSF, Investment | Yes | Yes |
| Wrap (retail super) | No | Yes | Yes (models) | Super, SMSF, Pension, Investments | Yes | Yes |
| Direct HIN | Yes | Yes | Yes (models) | SMSF, Investment | No | No |

A Platform > Empowering, Choice, Aligned

3. One Platform building a low cost operating model

Xplore Wealth is building a highly scalable operating model to competitively leverage



Source : The Strategy Journey Framework by Julie Choo

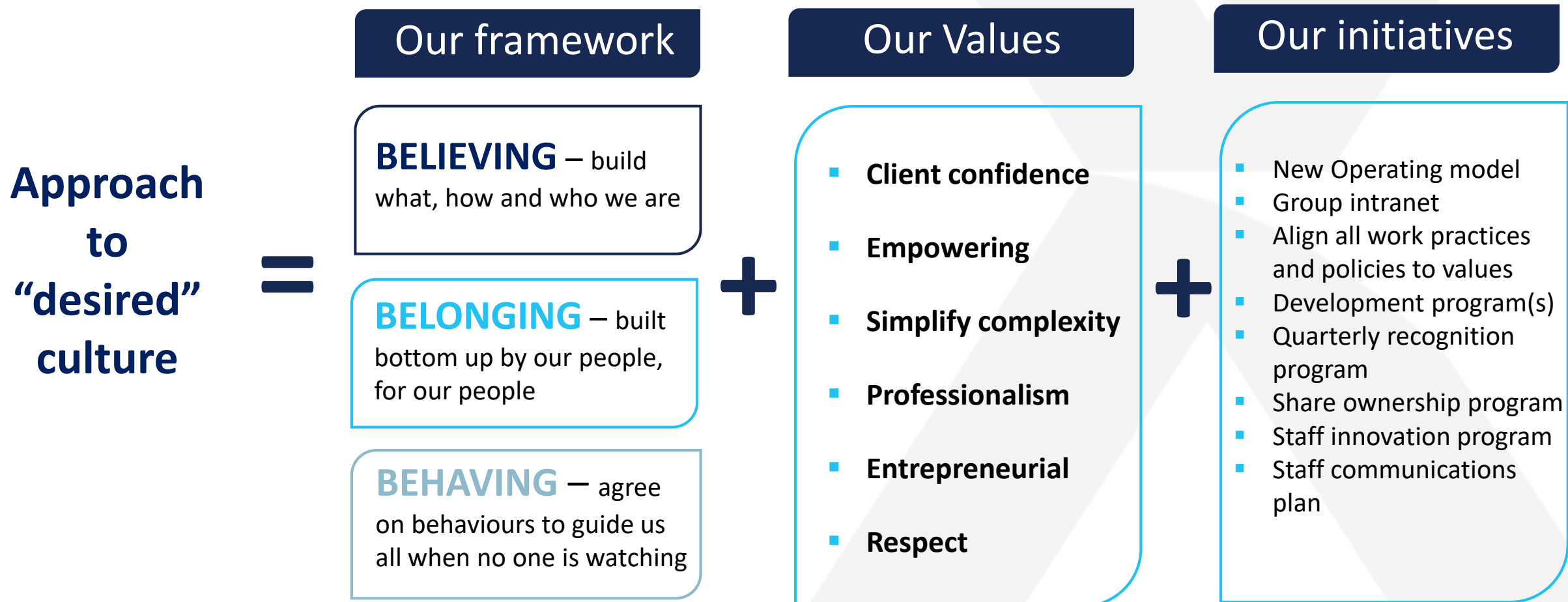
4. Take to market new products, services and offers

Planned 2020 roll out of new disruptive products and offers with the intention of capturing higher net inflows

| New Products | | | New Offers | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MDA Wholesale <ul style="list-style-type: none"> Less obligations imposed No CGT from Retail to Wholesale MDA Allows access to unregistered schemes | 3rd Party MDA Admin <ul style="list-style-type: none"> 292 MDA provider licences, 65% active Provide proven full MDA administration solution Advice AFSL uses their MDA provider licence Upgraded Investment modelling tool | Direct Retail HIN <ul style="list-style-type: none"> Fully integrated from trade to settlement ASX only + reporting & corporate actions Linked cash account for dividends and advice fees Efficiencies passed onto clients via pricing | MDA International <ul style="list-style-type: none"> Trade direct listed international assets 16 markets available Seamlessly added to managed portfolios | Foreign Exchange* <ul style="list-style-type: none"> Wholesale panel to ensure best FX rate FX can be held within models Foreign currency accounts <p><i>* At initial stage</i></p> | Advised Client Cash <ul style="list-style-type: none"> RBA official cash to be earned on client cash Strategic (re)pricing review for all offers Differentiated pricing schedules within certain offers |
| Launched Feb20 | Launched Jul20 | Launch H2CY20 | Launched Feb20 | Launch Q4 2020 | Launched Jun20 |
| <i>Allows unregistered schemes. New advisers, clients, FUA and revenue</i> | <i>New advisers, clients, FUA and revenue, with reduced reg risk</i> | <i>New advisers, clients, FUA and revenue. Completes One Platform offer</i> | <i>Client retention. Also new advisers, clients, FUA and revenue</i> | <i>Better deal for client cash</i> | <i>Possible new revenue. Transparent and fair deal.</i> |

5. Upgrade our values based culture

A culture that nurtures the right behaviours, effort and actions to glue together all strategic themes



Our values

We are a values-based organisation with a core focus of having our clients' interests at the heart of all of our actions and decisions. Our values are;

- Client confidence
- Professionalism
- Empowering
- Entrepreneurial
- Respect
- Simplify complexity



Disclaimer

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Authorised by the Board

Contact details

Mike Wright
CEO Xplore Wealth Ltd

0407 641 996 | mike.wright@xplorewealth.com.au | Suite 1, Level 5, 28 Margaret Street, Sydney NSW 2000

visit

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